

**01923**

**1995/10/19**

OCT 20 1995 03:25PM CARIBBEAN

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JOINT STAFF  
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ROUTINE 2100 RUEHBJA4483 2020801  
R 180801Z OCT 95  
FM AMEMBASSY BEIJING  
TO USEDC WASHDC  
INFO AHCCSUSL SHENYANG 1346  
AHCCSUL HONG KONG 5776  
ZEM/AHCCSUL CHENGDU  
SECSTATL WASHDC 4980  
AHCCSUL SHANGHAI 7382  
AHCCSUL GUANGZHOU 8876

UNCLAS SECTION 01 OF 04 BEIJING 044405

DEPT PASS USTR FOR BROOKIN/KLEIN, SANDS/LEHR

DEPT ALSO PASS REC FOR BOMBAR CUTTER?

USDOCC FOR ACTING U/S ROTHKOPE

USOCC ALSO FOR 4420/IEP/EAP/CEA/DFOREST

USCOC ALSO FOR 5130/ITA/IA/OP/AHSU

S.C. 12355: N/A

TAGS: BBSR, BTIC, ECON, ETRO, BEXP, EINV, CH  
SUBJECT: JCCT'S BUSINESS DEVELOPMENT AND INDUSTRIAL  
COOPERATION PLENARY SESSIONS OCTOBER 17

1. SUMMARY: U.S. AND CHINA CO-CHAIRS OF THE JCCT BUSINESS DEVELOPMENT AND INDUSTRIAL COOPERATION (BDIC) WORKING GROUP PLENARY SESSION EXPRESSED SATISFACTION WITH THE CONTINUED SUCCESS OF THE BDIC IN PROMOTING BILATERAL ECONOMIC COOPERATION. FUTURE AREAS OF COOPERATION WERE OUTLINED BY SUBGROUPS. THE CHINESE URGED GREATER RELAXATION OF U.S. EXPORT CONTROLS ON HIGH TECHNOLOGY EQUIPMENT SALES. END SUMMARY.

2. LIU HU, DIRECTOR GENERAL OF THE SCIENCE AND TECHNOLOGY OFFICE OF CHINA'S MINISTRY OF FOREIGN TRADE AND ECONOMIC COOPERATION (MOFTEC), OPENED THE MEETING BY REVIEWING DEVELOPMENTS IN THE BOIC WORKING GROUP SINCE THE 5TH PLENARY SESSION OF THE JCCT WAS HELD IN APRIL 1994. SEVERAL SUBGROUPS HAD BEEN REORGANIZED TO MORE ACCURATELY REFLECT THE DIVISION OF ADMINISTRATIVE RESPONSIBILITY IN CHINESE MINISTRIES. SOME SUBGROUPS HAD DISCUSSED SPECIFIC BUSINESS CONTRACTS WHILE OTHERS HAD HELD SEMINARS TO PROMOTE INDUSTRIAL COOPERATION. LIU EXPRESSED THE CHINESE DESIRE TO MOVE FOR REASONS OF CONVENIENCE THE SUBGROUP ON SERVICES TO THE INVESTMENT PROMOTION WORKING GROUP. THREE NEW SUBGROUPS--TELECOMMUNICATIONS, PHARMACEUTICALS, ENVIRONMENT -- WERE ADDED TO THE BOIC WORKING GROUP.

JOINT STAFF V1  
ACTION (U)  
INFO CMAS(1) JS(1) JSAMS(1)  
-USCINCTRANS INTEL CEN SCOTT AFB IL/J2-J//  
-COR 4TH PSYOP GP//AOCP-POG-SB//

SECDEF VS  
ACTION (U.S.)  
INFO CHAIRS(1) SECDEF-C(1) JSDAT:AM(1)  
DIR:PAE-EPF(1) CASD:CSI-TNT(1) JSDP/AP(2)  
USDP:OSAA(1) USDP:NA(1)  
-CJAMS WASHINGTON DC  
+USDP:DTSA

DIA 73  
ACTION (U.S.3)  
INFO -CSAF WASHINGTON DC  
-JCSPAC HONOLULU HI  
-MAIC WRIGHT PATTERSON AFB OH/CILAF/  
-MARCORINTACT SET QUANTICO VA  
-SAFE

CCINC/CYC CHF VS  
ACTION  
INFC -CCSA WASHINGTON DC  
-ATC WASH DC

3. LIU COMMENTED THAT THE JCCT SERVED AN ACTIVE AND IMPORTANT ROLE IN PROMOTING U.S.-CHINA COOPERATION. HE SAID THAT HE HOPED THAT THE UNITED STATES WOULD TAKE CONCRETE ACTION TO ENCOURAGE BILATERAL INDUSTRIAL COOPERATION. CHINA, AS A DEVELOPING COUNTRY, HOPES TO ATTRACT FOREIGN FUNDS. IT HAS GREAT MARKET POTENTIAL AND LOW LABOR COSTS. LIU STRESSED THAT ONLY WHEN BOTH THE UNITED STATES AND CHINA BENEFIT FROM TRADE AND INVESTMENT WILL INDUSTRIAL COOPERATION DEVELOP SMOOTHLY.

4. LIU STATED THAT ALTHOUGH THE BDIC WORKING GROUP HAD ACHIEVED GREAT PROGRESS DURING THE LAST YEAR, SOME PROBLEMS STILL REMAINED, AND SOME COOPERATIVE ACTIVITIES HAD BEEN POSTPONED. HE RECOMMENDED THAT THE UNITED STATES AND CHINA FURTHER DEVELOP INDUSTRIAL COOPERATION THROUGH: PROMOTING MUTUAL INVESTMENT, TECHNOLOGY TRANSFER, RESEARCH IN LAWS AND MARKET REGULATIONS, AND TECHNOLOGY TRAINING. HE SAID THAT REPRESENTATIVES FROM DIFFERENT U.S. INDUSTRIAL SECTORS AND ENTERPRISES SHOULD LAUNCH TRADE PROMOTIONAL EVENTS. LIU URGED THE UNITED STATES TO ADOPT A "REALISTIC ATTITUDE" IN ITS RELATIONS WITH CHINA, ENCOURAGE TECHNOLOGY TRANSFER, AND RELAX EXPORT CONTROLS.

5. U.S. DEPARTMENT OF COMMERCE ASSISTANT SECRETARY FOR TRADE DEVELOPMENT RAY VICKERY REPLIED THAT THE BDIC WORKING GROUP HAD ESTABLISHED A STRONG FOUNDATION FOR CONTINUED INDUSTRIAL COOPERATION BETWEEN THE UNITED STATES AND CHINA. DURING A DIFFICULT TIME IN THE U.S.-CHINA RELATIONSHIP, THE BDIC WORKING GROUP HAD MADE TREMENDOUS ACHIEVEMENTS OVER THE COURSE OF THE LAST YEAR. THE BDIC WORKING GROUP HAD SUCCESSFULLY PROMOTED COMMERCIAL ENGAGEMENT BETWEEN THE UNITED STATES AND CHINA. BDIC SUBGROUPS HAD CARRIED OUT 35 TRADE EVENTS DURING THE YEAR, AND 42 ARE CURRENTLY SCHEDULED DURING THE REMAINDER OF 1995 AND 1996.

B. VICKERY STRESSED THAT IT WAS IMPORTANT TO RECOGNIZE THAT HUNDREDS OF PRIVATE TRADE ORGANIZATIONS AND BUSINESSES HAD PARTICIPATED IN, AND CONTRIBUTED TO THE SUCCESS OF THE 3DIC SUBGROUPS. HE SAID THAT HE APPRECIATED CHINA'S ACCEPTANCE OF PRIVATE SECTOR INVOLVEMENT IN THE 3DIC WORKING GROUP. VICKERY CORRELATED THAT AS A RESULT OF EXTENSIVE U.S.-CHINESE COOPERATION, THE 3DIC WORKING GROUP HAD ALREADY ACHIEVED A GREAT DEAL AND SHOULD HAVE A BRIGHT FUTURE.

7. LIU AGREED THAT THERE HAS BEEN GREAT PROGRESS IN U.S.-CHINESE INDUSTRIAL COOPERATION, BUT COMMENTED THAT THERE IS MUCH STILL YET TO ACHIEVE. HE AGREED WITH THE SUGGESTION OF THE U.S. CO-CHAIR THAT SUMMARY REPORTS OF SUBGROUP MEETINGS HELD ON OCTOBER 17 BE PRESENTED, AND INSTRUCTED THE CHINESE REPRESENTATIVE TO THE CHEMICALS SUBGROUP TO BEGIN THE DISCUSSION.

UNCLAS SECTION 02 OF 04 BEIJING 044485

DEPT PASS USTR FOR BLOSKIN/KLEIN SANDS/LEHR

CEP- ALSO PASS REC FOR BONAN CUTTER

USCC FOR ACTING CMS ROTHKOFF

USDOC ALSO FOR 3420/SEP/EAP/CEA/DFOREST

EDDOC VLSO FOR E130/ITA/IA/CP/HSU

S E C 12345: WA  
TAGS: 38SP BTIC ECCH STRO DEIP ECON CM  
SUBJECT: IFC's BUSINESS DEVELOPMENT AND INDUSTRIAL  
COOPERATION PLENARY SESSIONS OCTOBER 17

#### **TECHNICAL SUGGESTION**

DEPARTMENT OF STATE		IS/FFC/CBR	File No.	Date	2118-197
<input checked="" type="checkbox"/> RELEASE <input type="checkbox"/> WITHHELD <input type="checkbox"/> EXEMPT <input type="checkbox"/> FOIA EXCEPTIONS		<input type="checkbox"/> DECLASSIFY <input type="checkbox"/> RECLASSIFY <input type="checkbox"/> IN PART	KIR Cases Only: EO Citations _____		
<input type="checkbox"/> DRAFT <input type="checkbox"/> FAX <input type="checkbox"/> E-MAIL <input type="checkbox"/> TELETYPE <input type="checkbox"/> TELEFONIC <input type="checkbox"/> OTHER		<input type="checkbox"/> CLASSIFY AS <input type="checkbox"/> DOWNGRADE TO <input type="checkbox"/> EXPUNGE <input type="checkbox"/> IS OR <input type="checkbox"/> IS AND ONLY TO <input type="checkbox"/> S OR <input type="checkbox"/> S AND ONLY TO			

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8. WU DESHENG, VICE DIRECTOR OF THE CHINESE MINISTRY OF CHEMICAL INDUSTRY'S DEPARTMENT OF INTERNATIONAL COOPERATION, SAID THAT CHINESE AND U.S. REPRESENTATIVES OF THE BOIC CHEMICALS SUBGROUP HAD AGREED TO A WORK PROGRAM FOR 1996. HE INDICATED THAT THE TWO SIDES AGREED TO COOPERATE ON TRADE PROMOTION ACTIVITIES. IT HAS BEEN AGREED THAT THE U.S. WILL SEND TWO DELEGATIONS TO CHINA, AND THAT THE CHINESE WILL ALSO SEND DELEGATIONS TO THE UNITED STATES IF TIME PERMITS. WITH REGARD TO A CHEMICALS SUBGROUP-SUPPORTED TRAINING PROJECT, IT HAS BEEN AGREED THAT THERE MAY BE COOPERATION IN A COMPOSITE FERTILISER PROGRAM. TWO REMAINING PROBLEMS WHICH REMAIN INCLUDE: CONCERN BY U.S. FIRMS ABOUT THE LEVEL OF DETAIL REQUIRED BY CHINA'S CHEMICAL REGISTRATION SYSTEM, AND THE QUESTIOH OF MARKET ACCESS AND EQUAL TREATMENT OF FOREIGN AND CHINESE FIRMS BY THE CHINESE GOVERNMENT.

9. MICHAEL COPPS, U.S. DEPARTMENT OF COMMERCE DEPUTY ASSISTANT SECRETARY FOR BASIC INDUSTRIES, AGREED WITH MU'S ASSESSMENT OF THE CHEMICALS SUBGROUP MEETING. HE ADDED THAT THE CHEMICALS SUBGROUP IS A PIONEERING SUBGROUP OF THE BOIC AND IS KNOWN FOR ITS AGGRESSIVE AND ENERGETIC AGENDA. HE THANKED THE CHINESE SIDE FOR PERMITTING U.S. PRIVATE FIRMS TO PROVIDE INPUT TO THE SUBGROUP.

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**ELECTRONICS SUBGROUP**


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10. TONG BAQI, DEPUTY DIRECTOR OF THE CHINESE MINISTRY OF ELECTRONICS' INTERNATIONAL AFFAIRS OFFICE, SAID THAT SIX OF THE 18 WORK PROJECTS SIGNED AT THE 9TH JCCT PLEHARY HAVE BEEN REALIZED OVER THE COURSE OF THE LAST YEAR. HE SAID THAT HE HOPE PROJECTS NO. 11 AND 12 CAN BE REALIZED BEFORE THE END OF 1995. HE COMMENTED THAT THE CHINESE WERE SATISFIED WITH THE PROGRESS OF THE ELECTRONICS SUBGROUP.

11. U.S. DEPARTMENT OF COMMERCE PRINCIPAL DEPUTY ASSISTANT SECRETARY ROBINSON ALSO PRAISED THE SUCCESS OF THE ELECTRONICS SUBGROUP. HE SAID THAT HE HOPE FOR EVEN GREATER SUCCESS DURING THE REMAINDER OF 1995 AND 1996. ROBINSON STATED THAT HE ALSO HOPE THAT THE AMBITIOUS SUBGROUP PLAN COULD BE SIGNED AT THE NEXT SUBGROUP MEETING.

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**ELECTRIC POWER SUBGROUP**


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12. DEPUTY DIRECTOR GENERAL LIU ZHAN OF THE CHINESE MINISTRY OF ELECTRIC POWER SAID THAT THE ELECTRIC POWER SUBGROUP HAD AGREED TO PROMOTE BILATERAL COOPERATION IN ELECTRIC POWER DURING 1996. U.S. DEPARTMENT OF ENERGY DEPUTY ASSISTANT SECRETARY FOR POLICY, JESSIE MARRIS, STATED THAT THE UNITED STATES HAD AGREED TO SPONSOR A NUMBER OF TRADE PROMOTION EVENTS DURING 1996 AS WELL AS BUILD UPON EXISTING INITIATIVES. SHE INDICATED THAT COAL TECHNOLOGY AND TRANSMISSION/DISTRIBUTION TRADE MISSIONS WILL BE HELD DURING THE FIRST HALF OF 1996, AND THAT A ROUND-TABLE ON ELECTRIC POWER TRADE FINANCING WILL BE HELD IN WASHINGTON IN SEPTEMBER 1996.

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**ENVIRONMENTAL SUBGROUP**


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13. CHINA ENVIRONMENTAL PROTECTION BUREAU SCIENCE DEPARTMENT DIRECTOR YIN BAI COMMENTED THAT THE BOIC ENVIRONMENTAL SUBGROUP WAS ONLY OFFICIALLY SET UP ON OCTOBER 17, BUT HAD MADE A NUMBER OF ACHIEVEMENTS ALREADY DURING 1995. THE UNITED STATES AND CHINA HAVE AGREED TO A

UNCLAS SECTION 03 OF 04 BEIJING 044465

DEPT PASS USTA FOR OMOSKIN/KLEIN, SANDS/LEHR

DEPT ALSO PASS HEC FOR BOWMAN CUTTER

USDOC FOR ACTING U/S ROTHKOFF

USDOC ALSO FOR 4420/EP/EAP/CEA/DOFOREST

USDOC ALSO FOR 5130/ITA/IA/OP/AHSU

E.O. 12358: H/A

TAGS: BBSP, BTIO, ECCH, ETIO, BEXP, EIMV, CH

SUBJECT: JCCT'S BUSINESS DEVELOPMENT AND INDUSTRIAL COOPERATION PLENARY SESSIONS OCTOBER 17

WORK PROGRAM FOR 1996, THE MOST IMPORTANT ELEMENT OF WHICH IS A PLANNED SEMINAR ON WASTE DISPOSAL. A NUMBER OF SEMINARS, INCLUDING A ROUND-TABLE DISCUSSION ON CHINA'S ENVIRONMENTAL AGENDA 21 ARE PLANNED FOR NEXT YEAR.

14. U.S. COMMERCE PRINCIPAL DEPUTY ASSISTANT SECRETARY ROBINSON REPLIED THAT THE UNITED STATES IS PLEASED TO SEE THAT CHINA RECOGNIZES THE IMPORTANCE OF THE ENVIRONMENTAL SECTOR. HE COMMENTED THAT THE U.S. SIDE OF THE ENVIRONMENTAL SUBGROUP HAD BEEN VERY INTERESTED IN CHINA'S ENVIRONMENTAL AGENDA 21 AND RIVER-RELATED PROJECT PRESENTATIONS.

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**MEDICAL PRODUCTS AND TELECOMMUNICATIONS**


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15. PRESENTATIONS WERE ALSO MADE BY CHINA'S STATE PHARMACEUTICAL BUREAU DEPUTY DIRECTOR GENERAL SHI XUAN AND MINISTRY OF POSTS AND TELECOMMUNICATIONS OFFICE OF INTERNATIONAL AFFAIRS DEPUTY DIRECTOR CHAI QINGLIAN. SHI STATED THAT THERE ARE ALREADY 120 U.S.-CHINA JOINT VENTURES INVOLVING THE PHARMACEUTICAL INDUSTRY, AND THAT HE HOPE COOPERATION IN THIS SECTOR WILL PROGRESS EVEN MORE SMOOTHLY IN THE FUTURE. CHAI STATED THAT THERE IS MUCH COOPERATION BETWEEN THE UNITED STATES AND CHINA ON THE PURCHASE AND SALE OF TELECOMMUNICATIONS EQUIPMENT.

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**PRIVATE SECTOR PARTICIPATION**


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16. PRIOR TO ALLOWING REPRESENTATIVES OF THE U.S. PRIVATE SECTOR INTO THE CONFERENCE ROOM TO ATTEND THE MEETING, THE U.S. AND CHINA CO-CHAIRS SIGNED A JOINT DOCUMENT OUTLINING ACCOMPLISHMENTS AND OBJECTIVES OF THE BOIC WORKING GROUP. J.S. CO-CHAIR VICKERY THEN INTRODUCED THE PRIVATE SECTOR PARTICIPANTS. HE STRESSED THAT IT IS ONLY THROUGH A STRONG AND CLOSE RELATIONSHIP WITH THE PRIVATE SECTOR THAT THE BOIC WORKING GROUP CAN REALIZE ITS FULL POTENTIAL. U.S. PRIVATE SECTOR REPRESENTATIVES INCLUDED EXECUTIVES FROM WESTINGHOUSE, JOHNSON AND JOHNSON, LUMINA CORPORATION (WASTE MANAGEMENT), EASTMAN CHEMICAL, PHILIPS PETROLEUM, SIGMA-PIR ENVIRONMENT, U.S.-CHINA TECHNOLOGY EXCHANGE, THE SOFTWARE PUBLISHERS ASSOCIATION, AND THE U.S. ELECTRONICS ASSOCIATION.

17. CHINA CO-CHAIR LIU SAID THAT HE WAS GLAD TO MEET WITH SO MANY REPRESENTATIVES OF FAMOUS U.S. CORPORATIONS. HE COMMENTED THAT CHINA IS WILLING TO COOPERATE IN THE FIELD OF TECHNOLOGY AND WANTS TO BUY U.S. EQUIPMENT. HE REITERATED THAT THERE IS GREAT POTENTIAL FOR U.S.-CHINA TRADE AND COOPERATION, BUT THAT U.S. HIGH TECHNOLOGY EXPORT CONTROLS HINDER THIS TRADE. HE STATED THAT MANY U.S. FIRMS WANT TO SELL HIGH TECHNOLOGY EQUIPMENT TO CHINA, BUT ARE UNABLE TO GET EXPORT LICENSES FROM THE U.S. GOVERNMENT. LIU CITED AS AN EXAMPLE NUCLEAR POWER PLANTS AND STATED THAT CHINA

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WANTED TH THE 1980'S TO BUY FROM WESTINGHOUSE, BUT WAS FORCED INSTEAD TO GO TO THE FRENCH. LIU SAID THAT THE UNITED STATES NEEDS TO MOVE AWAY FROM COCOON EXPORT CONTROLS AND EXPAND HIGH TECHNOLOGY EXPORTS TO CHINA. THIS WILL EXPAND EMPLOYMENT IN THE UNITED STATES AND REDUCE THE U.S. BILATERAL TRADE DEFICIT WITH CHINA.

18. BILL ARCHIE, PRESIDENT OF THE U.S. ELECTRONICS MANUFACTURERS ASSOCIATION, AND RICHARD GASKINS OF WESTINGHOUSE EACH MADE BRIEF PRESENTATIONS TO THE BDIC PLENARY. ARCHIE STRESSED TO THE CHINESE THAT MOST MEMBERS OF HIS ASSOCIATION ARE SMALL SCALE FIRMS. HE STATED THAT TECHNOLOGICAL INNOVATION AND MARKET OPPORTUNITIES OFTEN COME FROM SMALLER FIRMS. CHINA CO-CHAIR LIU SAID THAT THE CHINESE HAVE NEVER TRIED TO LOOK DOWN ON SMALLER FIRMS. HE SAID HE WOULD BE OPEN TO ANY SPECIFIC SUGGESTIONS FROM THE U.S. SIDE -- PERHAPS THROUGH A LETTER FROM U.S. CO-CHAIR VICKERY AFTER THE JCCT PLENARY -- ON HOW THE CHINESE CAN BEST EXPAND CONTACTS WITH SMALL AND MEDIUM ENTERPRISES.

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DEPT PASS USTR FOR DHOISKIN/KLEIN, SANDS/LEHR

DEPT ALSO PASS NEC FOR BOWMAN CUTTER

USDOC FOR ACTING U/S ROTHKOPF

USDOC ALSO FOR 4420/IEP/EAP/CEA/DFOREST

USDOC ALSO FOR 5130/ITA/IA/OP/AHSU

E.O. 12380: N/A

TAGS: EBSR, ETIC, ECOW, ETRO, BEXP, SINV, CH  
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19. RICHARD GASKINS STATED THAT WESTINGHOUSE HAS HAD FIFTEEN YEARS OF EXPERIENCE IN TECHNOLOGY TRANSFER IN CHINA. HE COMMENTED, HOWEVER, THAT CHINA'S GREAT NEED OF INVESTMENT CAPITAL TO FINANCE INFRASTRUCTURE PROJECTS COULD BE MORE EASILY MET IF CHINA IMPROVED ITS INVESTMENT CLIMATE FOR FOREIGN INVESTORS. LIU THANKED GASKINS FOR HIS FRANK REMARKS. HE STATED THAT CHINA HAS ALREADY MADE AND IS MAKING SUBSTANTIAL INVESTMENTS IN ITS ELECTRIC POWER INDUSTRY, AND CITED THE THREE GORGES PROJECT AS AN EXAMPLE. LIU COMMENTED THAT FOREIGN INVESTMENT IN CHINA SHOULD BE MUTUALLY BENEFICIAL TO BOTH SIDES.

20. THIS CABLE HAS CLEARED BY DEPARTMENT OF COMMERCE ASSISTANT SECRETARY VICKERY PRIOR TO HIS DEPARTURE FROM BEIJING. HALLFORD BT